

GAO

Fact Sheet for the Honorable
Terry Sanford, U.S. Senate

June 1989

BUDGET ISSUES

Budget Numbers for Proposed Bill S. 101





United States
General Accounting Office
Washington, D.C. 20548

Accounting and Financial
Management Division

B-227245

June 30, 1989

The Honorable Terry Sanford
United States Senate

Dear Senator Sanford:

In March 1989, your office requested our assistance in providing detailed budget numbers for illustrating your bill entitled, "Balanced Budget and Debt Reduction Act of 1989" (S. 101). On April 6, 1989, we briefed you and your staff on the results of our work. At that time, you asked us to provide you with additional details relating to your proposal. Specifically, you wanted a breakdown of major components contained in the budget proposed in S. 101. This report is in response to that request. It conveys the results of our technical assistance to you and does not represent a GAO proposal.

We relied on the Office of Management and Budget's (OMB) fiscal year 1990 budget tape for actual fiscal year 1988 data to prepare each of the budgets. While OMB generally reports budget amounts as net of intragovernmental transactions and offsetting collections from the public, the amounts in this fact sheet include all revenues and outlays. We provide reconciliations of the gross amounts presented in this fact sheet with OMB's net figures.

In addition to this letter, this report contains seven appendixes:

- Appendix I provides a schedule combining all of your budgets: Retirement Funds, Debt and Interest, and Operating. This schedule also shows gross receipts, outlays, and the annual deficit.
- Appendixes II, III, and IV provide additional detail for the major components included in the Retirement Funds Budget, the Debt and Interest Budget, and the Operating Budget, respectively.
- Appendix V provides a reconciliation from the gross amounts used in our tables to OMB net amounts.
- Appendix VI discusses the methodology for developing the budget data for your proposal.

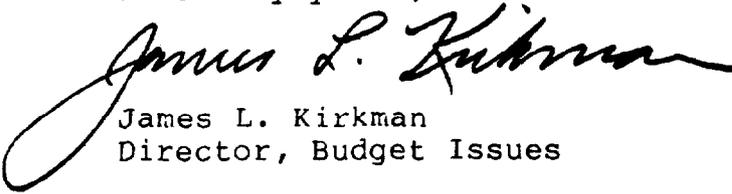
B-227245

-- Appendix VII lists the names of the major contributors to this report.

We are sending copies of this report to the Director, Office of Management and Budget; the Director, Congressional Budget Office; and other interested parties. Copies will also be available to others upon request.

I hope this information will be helpful to you. If we can be of further assistance, please contact me at (202) 275-9573.

Sincerely yours,



James L. Kirkman
Director, Budget Issues

C o n t e n t s

| | <u>Page</u> |
|------------|--|
| LETTER | 1 |
| APPENDIXES | |
| I | BUDGETS PROPOSED IN S. 101 5 |
| II | RETIREMENT FUNDS BUDGET 8 |
| | Receipts 8 |
| | Outlays 12 |
| III | DEBT AND INTEREST BUDGET 13 |
| | Increase in Public Debt 13 |
| | Interest on the Public Debt 14 |
| IV | OPERATING BUDGET 16 |
| | Receipts 16 |
| | Outlays 21 |
| V | RECONCILIATION 24 |
| | Reconciliation of Gross With Net Receipt and Outlay Totals 24 |
| | Reconciliation of Gross Receipts With Net Receipts 25 |
| | Reconciliation of Gross Outlays With Net Outlays 26 |
| VI | OBJECTIVE, SCOPE, AND METHODOLOGY 28 |
| VII | MAJOR CONTRIBUTORS TO THIS REPORT 30 |
| TABLES | |
| I.1 | Budgets Proposed in S. 101 6 |
| II.1 | Retirement Fund Receipts for Fiscal Year 1988 10 |
| II.2 | Retirement Fund Outlays for Fiscal Year 1988 12 |
| III.1 | Debt and Borrowing for Fiscal Year 1988 13 |
| III.2 | Interest Payments for Fiscal Year 1988 15 |

| | | |
|------|--|----|
| IV.1 | Other Taxes and Fees for Fiscal Year 1988 | 17 |
| IV.2 | Intragovernmental Receipts for Fiscal Year 1988 | 18 |
| IV.3 | Proprietary Receipts for Fiscal Year 1988 | 19 |
| IV.4 | Offsetting Collections From the Public for Fiscal Year 1988 | 20 |
| IV.5 | Outlays by Category for Fiscal Year 1988 | 22 |
| V.1 | Reconciliation of Gross With Net Receipt and Outlay Totals for Fiscal Year 1988 | 25 |
| V.2 | Reconciliation of Gross Receipts With Net Receipts for Fiscal Year 1988 | 26 |
| V.3 | Reconciliation of Gross Outlays With Net Outlays for Fiscal Year 1988 | 27 |

ABBREVIATIONS

| | |
|-----|---------------------------------|
| CBO | Congressional Budget Office |
| GAO | General Accounting Office |
| OMB | Office of Management and Budget |

BUDGETS PROPOSED IN S. 101

Table I.1 shows the three budgets defined in S. 101: Retirement Funds Budget, Debt and Interest Budget, and Operating Budget.

The Retirement Funds Budget shows the accumulated balance of retirement funds at the beginning of fiscal year 1988, all receipts and payments of retirement funds during fiscal year 1988, the fiscal year 1988 retirement funds surplus, and the accumulated balance of retirement funds at the end of fiscal year 1988.

The Debt and Interest Budget shows the debt at the beginning and end of fiscal year 1988; the difference between the two represents net borrowing for the year. This budget also shows the total amount of expenditures for interest.

The Operating Budget shows receipts and outlays other than those included in the retirement and interest budgets during the year and the amount by which outlays exceed receipts.

These data represent gross amounts from receipt and appropriation accounts which include budget, intragovernmental, and proprietary receipts and offsetting collections from the public.

Table I.1: Budgets Proposed in S. 101

Dollars in Billions

| <u>Retirement Funds Budget</u> | | <u>Debt and Interest Budget</u> | |
|---|-----------------|---------------------------------------|----------------|
| Trust balances at beginning of fiscal year 1988 | \$ 347.1 | Debt Beginning of fiscal year 1988 | \$2,345.6 |
| Receipts | | End of fiscal year 1988 | <u>2,600.8</u> |
| Special taxes | 318.7 | Net borrowing for 1988 | \$ 255.2 |
| Employer contributions | 97.3 | Statutory debt limit | \$2,800.0 |
| Interest on investments | 36.2 | Interest | |
| Total receipts | <u>\$ 452.2</u> | Interest on debt | \$ 215.8 |
| Outlays (payments) | 364.4 | | |
| Fiscal year 1988 surplus | 87.8 | | |
| Trust balances at end of fiscal year 1988 | \$ 435.0 | | |

Recap on a gross basis

| | | | |
|---------------------|-------------------|--------------------|--------------|
| Receipts (revenues) | | Outlays (payments) | |
| Retirement | \$ 452.2 | Retirement | \$ 364.4 |
| Operating | 790.9 | Operating | 818.0 |
| | <u> </u> | Interest | <u>215.8</u> |
| Gross receipts | \$1,243.1 | Gross outlays | \$1,398.2 |

Operating Budget

| | |
|----------------------------|-----------------|
| Receipts | |
| Personal income | \$ 401.2 |
| Corporate income | 94.5 |
| Excise taxes | 35.2 |
| Other receipts | |
| Other taxes and fees | 68.1 |
| Intragovernmental receipts | 32.0 |
| Proprietary receipts | 25.9 |
| Offsetting collections | <u>134.0</u> |
| Total revenues | \$ <u>790.9</u> |
| Outlays | |
| Entitlements | 240.9 |
| Defense | 308.5 |
| Other government | 268.6 |
| Total outlays | \$ <u>818.0</u> |
| Fiscal year 1988 deficit | \$ (27.1) |

| | |
|-------------------|----------------|
| Surplus (deficit) | |
| Retirement | \$ 87.8 |
| Operating | (27.1) |
| Interest | <u>(215.8)</u> |
| Budget deficit | \$(155.1) |

Notes:

1. Gross data is from receipt accounts and appropriation accounts which include budget, intragovernmental, and proprietary receipts. Offsetting collections from the public have been added to both receipts and outlays.

2. Numbers may not add due to rounding.

RETIREMENT FUNDS BUDGET

The Retirement Funds Budget, as outlined in S. 101, is made up of the following accounts:

- Federal Old-Age and Survivors Insurance Fund,
- Federal Hospital Insurance Trust Fund,
- Civil Service Retirement and Disability Fund,
- Military Retirement Fund,
- Federal Supplementary Medical Insurance Trust Fund,
- Federal Disability Insurance Trust Fund, and
- Railroad Retirement Fund.

The Federal Old-Age and Survivors Insurance Trust Fund makes up the major part of both receipts and outlays.

RECEIPTS

The three sources of receipts for these retirement accounts are

- taxes and contributions, which are employee taxes and contributions;
- federal employer contributions, which are agencies' payments as employers and other federal contributions; and
- interest, which is receipts of earnings on retirement investments in federal securities.

Table II.1 shows total receipts and the amount of receipts for each account in the three source categories. Additionally, this table shows each category's percentage of the account and each account's percentage of total retirement receipts.

Table II.1: Retirement Fund Receipts for Fiscal Year 1988

Dollars in Millions

| <u>Fund</u> | <u>Taxes and contributions</u> | | <u>Federal employer contributions</u> | |
|--|--------------------------------|----------------|---------------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Federal Old-Age and Survivors Insurance Trust Fund | \$220,336.9 | 69.1 | \$ 9,501.1 | 9.8 |
| Federal Disability Insurance Trust Fund | 21,154.2 | 6.6 | 648.5 | 0.7 |
| Railroad Retirement ^a | 3,900.4 | 1.2 | 5,538.3 | 5.7 |
| Federal Hospital Insurance Trust Fund | 59,901.7 | 18.8 | 2,929.0 | 3.0 |
| Federal Supplementary Medical Insurance Trust Fund | 8,755.7 ^b | 2.7 | 25,418.0 | 26.1 |
| Civil Service Retirement ^c | 4,658.5 | 1.5 | 24,641.6 | 25.3 |
| Military Retirement Fund | <u>0.0</u> | <u>0.0</u> | <u>28,667.3</u> | <u>29.4</u> |
| Total | <u>\$318,707.4</u> | 100.0 | <u>\$97,343.9</u> | 100.0 |

| <u>Interest</u> | | <u>Total receipts</u> | |
|-------------------|----------------|-----------------------|----------------|
| <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| \$ 6,758.3 | 18.7 | \$236,596.3 | 52.3 |
| 657.3 | 1.8 | 22,460.0 | 5.0 |
| 573.1 | 1.6 | 10,011.8 | 2.2 |
| 5,168.6 | 14.3 | 67,999.3 | 15.0 |
| 828.1 | 2.3 | 35,001.8 | 7.7 |
| 17,716.3 | 49.0 | 47,016.4 | 10.4 |
| <u>4,449.7</u> | <u>12.3</u> | <u>33,117.0</u> | <u>7.3</u> |
| <u>\$36,151.4</u> | 100.0 | <u>\$452,202.7</u> | 100.0 |

Note: Numbers may not add due to rounding.

^aRailroad Retirement includes the

- Railroad Social Security Equivalent Benefit Account,
- Rail Industry Pension Fund, and
- Supplemental Annuity Pension Fund.

^bThis figure represents Medicare premiums paid by the public.

^cCivil Service Retirement includes the

- Judicial Survivors Annuities Fund,
- Tax Court Judges Survivors Annuity Fund,
- Civil Service Retirement and Disability Fund, and
- Foreign Service Retirement and Disability Fund.

OUTLAYS

Table II.2 shows retirement payments during fiscal year 1988. It shows the amount of payments for each account and this amount's percentage of total retirement payments.

Table II.2: Retirement Fund Outlays for Fiscal Year 1988

Dollars in Millions

| <u>Fund</u> | <u>Payments</u> | <u>Percent</u> |
|--|--------------------|----------------|
| Federal Old-Age and Survivors Insurance Trust Fund | \$197,896.6 | 54.3 |
| Federal Disability Insurance Trust Fund | 22,360.1 | 6.1 |
| Railroad Retirement ^a | 8,977.5 | 2.5 |
| Federal Hospital Insurance Trust Fund | 52,729.5 | 14.5 |
| Federal Supplementary Medical Insurance Trust Fund | 34,946.7 | 9.6 |
| Civil Service Retirement ^b | 28,430.9 | 7.8 |
| Military Retirement | <u>19,009.0</u> | <u>5.2</u> |
| Total | <u>\$364,350.4</u> | 100.0 |

Note: Numbers may not add due to rounding.

^aRailroad Retirement includes the

- Railroad Social Security Equivalent Benefit Account,
- Rail Industry Pension Fund, and
- Supplemental Annuity Pension Fund.

^bCivil Service Retirement includes the

- Judicial Survivors Annuities Fund,
- Tax Court Judges Survivors Annuity Fund,
- Civil Service Retirement and Disability Fund, and
- Foreign Service Retirement and Disability Fund.

DEBT AND INTEREST BUDGET

The second part of the restructured budget outlined in S. 101 is the Debt and Interest Budget. This is made up of two major components:

- increase in the public debt and
- interest on the public debt.

INCREASE IN PUBLIC DEBT

Two types of funds make up the increase in public debt: funds borrowed from government accounts and funds borrowed from the public.

Table III.1, the public debt schedule, shows the gross federal debt at the beginning and end of fiscal year 1988. This table also shows the composition of fiscal year 1988 borrowing, the means of financing the fiscal year 1988 deficit, and the change in debt held by the public during this period.

Table III.1: Debt and Borrowing for Fiscal Year 1988

Dollars in Billions

| <u>Debt and borrowing</u> | <u>Amount</u> |
|---|------------------|
| Gross federal debt, beginning of fiscal year 1988 | <u>\$2,345.6</u> |
| Borrowing | |
| From government accounts | 93.1 |
| From the public | |
| Deficit | 155.1 |
| Increase in cash balance | 8.0 |
| Other | |
| Increases in checks outstanding | (0.5) |
| Deposit fund balances | 0.6 |
| Seigniorage on coins | (0.5) |
| Proceeds of loan asset sales with recourse | <u>(0.6)</u> |
| Federal borrowing for fiscal year 1988 | <u>255.2</u> |
| Gross federal debt, end of fiscal year 1988 | <u>\$2,600.8</u> |

INTEREST ON THE PUBLIC DEBT

The federal government both pays and receives interest as a result of its borrowing and lending activities. There are three categories of interest payments.

- Interest on the public debt, which equates to net interest: Net interest includes interest paid by the federal government less the interest it collects. Almost all federal debt consists of public debt issued by the Department of the Treasury, and Treasury pays interest on this public debt.
- Interest paid to retirement accounts: Most major trust funds are required by law to invest excess funds in Treasury securities. When Treasury pays interest on these funds, the interest payments are included in interest on the public debt. (Interest received by retirement funds on investments in public debt is shown in table II.1.)
- Interest paid to other accounts: Other intragovernmental transfers include interest from the Federal Financing Bank on federal government capital, interest on income tax refunds, and interest on uninvested funds.

Table III.2, the interest schedule, shows the total interest for fiscal year 1988. This schedule also shows the net interest transactions with the public, interest on retirement funds, and other intragovernmental interest transfers.

The total interest expense for fiscal year 1988 includes interest paid to the Federal Reserve System. This interest is on government securities held by the Federal Reserve System to implement monetary policy. However, the Federal Reserve System returns almost all of this interest to Treasury as earnings of the Federal Reserve System. (See table IV.1.) Therefore, this interest is included in net interest.

Table III.2: Interest Payments for Fiscal Year 1988

Dollars in Billions

| <u>Interest source</u> | <u>Amount</u> |
|--|----------------|
| Net interest on the public debt | \$151.7 |
| Interest on retirement funds | |
| On-budget trust funds | 28.7 |
| Off-budget trust funds | 7.4 |
| Interest on nonretirement trust funds ^a | |
| Entitlements | 3.5 |
| Defense | 0.0 |
| Other government | 2.3 |
| Other interest | |
| Federal Financing Bank | 15.2 |
| Government capital in enterprises ^b | 3.7 |
| All other | <u>3.2</u> |
| Gross interest outlays | <u>\$215.8</u> |

Note: Numbers may not add due to rounding.

^aSenator Sanford's designation.

^bSuch as the Commodity Credit Corporation.

OPERATING BUDGET

As outlined in S. 101, the third budget is the Operating Budget, which consists of all receipts and outlays other than those included in the Retirement Funds Budget (appendix II) or the Debt and Interest Budget (appendix III).

RECEIPTS

Sources of operating revenues are taxes, receipts, and offsetting collections. Personal income, corporate, and excise taxes comprise the major source of operating revenues. These tax revenues are presented in table I.1. Tables in appendix IV provide additional detail for the two remaining sources: other budget receipts and offsetting collections.

The other budget receipts category includes

- taxes and fees other than personal income, corporate, and excise tax receipts;
- intragovernmental receipts, payments from one government account deposited into another's receipt account; and
- proprietary receipts from the public, collections from business-type or market-oriented activities of the federal government that are deposited into receipt accounts.

Other Taxes and Fees

For fiscal year 1988, other taxes and fees primarily consisted of unemployment taxes and earnings of the Federal Reserve System. Table IV.1 shows the four major sources of other taxes and fees and the percentage each is of total other taxes and fees. They represent 96.0 percent of this total.

Table IV.1: Other Taxes and Fees for Fiscal Year 1988

Dollars in Millions

| <u>Source of receipt</u> | <u>Amount</u> | <u>Percent</u> |
|---|-------------------|----------------|
| Unemployment tax | \$24,426.2 | 35.9 |
| Earnings of the Federal Reserve System ^a | 17,163.2 | 25.2 |
| Customs duties | 16,198.1 | 23.8 |
| Estate and gift tax | 7,594.3 | 11.1 |
| All other budget receipts | <u>2,746.7</u> | <u>4.0</u> |
| Total | <u>\$68,128.5</u> | 100.0 |

^aSee appendix III for details concerning the Federal Reserve System.

Intragovernmental Receipts

Intragovernmental receipts are payments from one government account to another that are deposited into receipt accounts. Generally, OMB deducts these transactions from both receipts and outlays at the agency or function level. But OMB treats two types of these transactions as deductions from total receipts and outlays: (1) agencies' payments as employers into employee retirement trust funds and (2) interest received by trust funds.

Interest received from the Federal Financing Bank, interest paid to government trust funds and corporations, and transfers to repay loans and advances accounted for most of these receipts during fiscal year 1988.

Table IV.2 shows the categories of intragovernmental receipts and their major component sources. The top four categories represent 93.6 percent of total intragovernmental receipts.

Table IV.2: Intragovernmental Receipts for Fiscal Year 1988

Dollars in Millions

| <u>Receipt category</u> | <u>Amount</u> | <u>Percent^a</u> | <u>Percent of total^b</u> |
|---|--------------------|----------------------------|-------------------------------------|
| Interest received by the Federal Financing Bank | \$ <u>15,227.7</u> | 100.0 | 47.6 |
| Interest received by governmental trust funds | | | |
| Unemployment Trust Fund | \$ 2,341.4 | 40.8 | |
| National Service Life Insurance Fund | 982.0 | 17.1 | |
| Highway Trust Fund | 1,192.7 | 20.8 | |
| Airport and Airway Trust Fund | 892.6 | 15.5 | |
| Other sources | 334.6 | 5.8 | |
| Total | \$ <u>5,743.4</u> | <u>100.0</u> | 18.0 |
| Transfers between federal and trust funds | | | |
| Federal unemployment account | \$ 2,271.0 | 43.2 | |
| Repayment of advances against the financial interchange | 2,312.6 | 44.0 | |
| Administrative expenses of the Social Security Act, as amended | 466.4 | 8.9 | |
| Other sources | 207.6 | 3.9 | |
| Total | \$ <u>5,257.6</u> | <u>100.0</u> | 16.4 |
| Interest received on government capital | | | |
| Commodity Credit Corporation | \$ 947.6 | 25.5 | |
| Agriculture Credit Insurance Fund | 711.5 | 19.1 | |
| Housing for the Elderly and Handicapped Federal Housing Administration | 575.5 | 15.5 | |
| General Insurance Fund | 300.3 | 8.1 | |
| Rural Housing Insurance Fund | 285.9 | 7.7 | |
| Other sources | 895.2 | 24.1 | |
| Total | \$ <u>3,716.0</u> | <u>100.0</u> | 11.6 |
| All other intragovernmental receipts | \$ <u>2,050.2</u> | 100.0 | <u>6.4</u> |
| Total | \$ <u>31,994.8</u> | | 100.0 |

Note: Numbers may not add due to rounding.

^aPercentage of receipt category.^bPercentage of total intragovernmental receipts.

Proprietary Receipts

Proprietary receipts result from business-type or market-oriented activities of the federal government. Generally, OMB deposits these collections into receipt accounts and deducts them from receipts and outlays at the agency or subfunction level. However, OMB classifies some receipts, such as rents and royalties from outer continental shelf lands, as undistributed offsetting receipts and deducts them from total budget receipts and outlays.

Table IV.3 shows the top four categories and the percentage each is of total proprietary receipts for fiscal year 1988. Military assistance sales represents 34.7 percent of the total and the remaining 65.3 percent represents many smaller accounts.

Table IV.3: Proprietary Receipts for Fiscal Year 1988

Dollars in Millions

| <u>Receipt source</u> | <u>Amount</u> | <u>Percent</u> |
|--|-------------------|----------------|
| Military assistance sales | \$ 8,964.3 | 34.7 |
| Outer continental shelf royalties | 2,267.8 | 8.8 |
| Interest received from tax and loan deposits | 1,394.3 | 5.4 |
| Uranium enrichment revenues | 1,233.7 | 4.8 |
| All other proprietary receipts | <u>12,008.5</u> | <u>46.4</u> |
| Total | <u>\$25,868.6</u> | 100.0 |

Note: Numbers may not add due to rounding.

Offsetting Collections From the Public

Collections which result from business-type or market-oriented activities or collections of payments from the public are classified as offsetting collections and credited to appropriation or fund accounts. When authorized by law, such collections are credited directly to expenditure accounts for all revolving funds and for some appropriation accounts. OMB shows outlays for these accounts as disbursements less offsetting collections, that is, as net outlays. Offsetting collections are not reflected in either total receipts or total outlays reported by OMB. By including these offsetting collections in total receipts and by distributing them among entitlements, defense, and other government categories when computing total outlays, these schedules show all receipts from the public and all outlays to the public in fiscal year 1988.

Table IV.4 shows the major sources of offsetting collections for the entitlements, defense, and other government categories during fiscal year 1988, as well as the percentage of total receipts for each category. These categories are discussed in detail under outlays. For entitlements, four accounts received 64.8 percent of the total offsetting collections; for defense, three accounts received 77.6 percent of the total; and for other government, four accounts received 75.1 percent of the total.

Table IV.4: Offsetting Collections From the Public
for Fiscal Year 1988

Dollars in Millions

| <u>Account</u> | <u>Amount</u> | <u>Percent</u> |
|--|--------------------|----------------|
| Entitlements | | |
| Commodity Credit Corporation | \$21,426.3 | 34.4 |
| Federal Savings and Loan Insurance Corporation Fund | 8,167.1 | 13.1 |
| Federal Housing Administration Fund | 5,853.0 | 9.4 |
| Federal Deposit Insurance Corporation (Trust Revolving Fund) | 4,924.2 | 7.9 |
| All other entitlement accounts | <u>21,948.3</u> | <u>35.2</u> |
| Total entitlements | <u>\$62,319.0</u> | 100.0 |
| Defense | | |
| Air Force Stock Fund | \$ 2,391.4 | 33.9 |
| Army Stock Fund | 1,850.1 | 26.2 |
| Navy Stock Fund | 1,233.9 | 17.5 |
| All other defense accounts | <u>1,579.4</u> | <u>22.4</u> |
| Total defense | <u>\$ 7,054.9</u> | 100.0 |
| Other government | | |
| Postal Service Fund | \$33,986.1 | 52.6 |
| Rural Electrification and Revolving Loan Fund | 5,112.4 | 7.9 |
| Tennessee Valley Authority | 5,020.1 | 7.8 |
| International Security Assistance | 4,399.1 | 6.8 |
| All other government accounts | <u>16,142.6</u> | <u>25.0</u> |
| Total other government | <u>\$64,660.4</u> | 100.0 |
| Total Offsetting Collections | <u>\$134,034.3</u> | |

Note: Numbers may not add due to rounding.

OUTLAYS

Outlays are distributed into three categories.

- Entitlements are legal rights to payments from Treasury. The accounts included in this category come from the Congressional Budget Office's (CBO) "Revised Baseline for FY 1989-1994, Entitlements and Other Mandatory Spending."¹
- The defense category comprises the accounts in OMB's budget function 050 and includes the development and procurement of equipment and the payment of military personnel.
- The other government category includes accounts which are not classified as retirement, interest, entitlements, or defense.

Table IV.5 shows the five largest accounts for each category of outlays during fiscal year 1988. The first column of table IV.5 shows gross outlays according to OMB (outlays less offsetting collections), the second column shows each account's percentage of total outlays for the category, the third column shows offsetting collections, the fourth column shows gross outlays according to OMB plus offsetting collections, and the fifth column shows each account's percentage of total outlays for the category.

For entitlements, the five top accounts represent 45.7 percent of total entitlement outlays during fiscal year 1988. For defense, the top five major accounts represent 36.5 percent of total defense outlays during fiscal year 1988. For the other government category, the top five accounts represent 28.7 percent of total other government outlays during fiscal year 1988.

¹The distribution between entitlements and other government differs from the amounts shown by CBO.

Table IV.5: Outlays by Category for Fiscal Year 1988

Dollars in Millions

| <u>Account</u> | OMB <u>gross outlays</u> | <u>Percent</u> | <u>Offsetting collections</u> |
|---|---------------------------------|----------------|-----------------------------------|
| Entitlements | | | |
| Grants to States for Medicaid | \$ 30,461.6 | 17.1 | \$ 0.0 |
| Unemployment Trust Fund | 18,597.7 | 10.4 | 0.0 |
| Supplemental Security Income Program | 12,345.0 | 6.9 | 2,859.2 |
| Food Stamp Program | 12,265.0 | 6.9 | 0.0 |
| Commodity Credit Corporation | 12,174.8 | 6.8 | 21,426.3 |
| All other entitlements | <u>92,769.9</u> | <u>51.9</u> | <u>38,033.5</u> |
| Total entitlement outlays | <u>\$178,614.0</u> | 100.0 | <u>\$62,319.0</u> |
| Defense | | | |
| Operation and Maintenance, Navy | \$ 25,529.6 | 8.5 | \$ 69.4 |
| Military Personnel, Army | 23,849.1 | 7.9 | 66.6 |
| Operation and Maintenance, Army | 22,205.6 | 7.4 | 147.6 |
| Operation and Maintenance, Air Force | 20,827.0 | 6.9 | 68.7 |
| Military Personnel, Air Force | 19,764.1 | 6.6 | 53.2 |
| All other defense | <u>189,325.5</u> | <u>62.8</u> | <u>6,649.4</u> |
| Total defense outlays | <u>\$301,500.9</u> | 100.0 | <u>\$ 7,054.9</u> |
| Other government | | | |
| Payments to Health Care Trust Funds | \$ 26,463.0 | 13.0 | \$ 0.0 |
| Payment to Civil Service Retirement and Disability Trust Fund | 15,572.3 | 7.6 | 0.0 |
| Federal-Aid Highways | 13,828.9 | 6.8 | 20.3 |
| Rental Housing Assistance | 11,222.3 | 5.5 | 0.0 |
| Veterans Health Service and Research Administration-Medical Care | 10,045.3 | 4.9 | 20.3 |
| All other government | <u>126,753.7</u> | <u>62.2</u> | <u>64,619.8</u> |
| Total other government outlays | <u>\$203,885.4</u> | 100.0 | <u>\$64,660.4</u> |

| <u>Gross outlays</u> | <u>Percent</u> |
|--------------------------|----------------|
| \$ 30,461.8 | 12.6 |
| 18,597.8 | 7.7 |
| 15,204.3 | 6.3 |
| 12,265.0 | 5.1 |
| 33,601.2 | 13.9 |
| <u>130,803.2</u> | <u>54.3</u> |
| <u>\$240,933.3</u> | 100.0 |
| | |
| \$ 25,599.0 | 8.3 |
| 23,915.8 | 7.8 |
| 22,353.2 | 7.2 |
| 20,895.7 | 6.8 |
| 19,817.3 | 6.4 |
| <u>195,974.8</u> | <u>63.5</u> |
| <u>\$308,555.8</u> | 100.0 |
| | |
| \$ 26,463.0 | 9.9 |
| 15,572.3 | 5.8 |
| 13,849.2 | 5.2 |
| 11,222.3 | 4.2 |
| 10,065.6 | 3.7 |
| <u>191,373.5</u> | <u>71.3</u> |
| <u>\$268,545.8</u> | 100.0 |

RECONCILIATION

Totals in our tables include offsetting collections (both those deposited into receipt accounts and those credited to appropriation accounts) which result from business-type or market-oriented activities with the public and intragovernmental transfers from one government account to another. These totals differ from OMB's reported budget totals, which are calculated on a net basis: they subtract intragovernmental and proprietary receipts from both receipts and outlays. Tables V.1, V.2, and V.3 serve to reconcile our totals to OMB net budget totals.

RECONCILIATION OF GROSS WITH
NET RECEIPT AND OUTLAY TOTALS

Since the gross receipt and outlay amounts included in this fact sheet differ substantially from receipts and outlays in the OMB budget schedules, we reconcile these two amounts by subtracting offsetting collections and proprietary and intragovernmental receipts from the gross receipt and outlay amounts to arrive at OMB's net budget totals. Table V.1 reconciles our gross receipts and outlays with OMB's net budget totals.

Table V.1: Reconciliation of Gross With Net Receipt
and Outlay Totals for Fiscal Year 1988

Dollars in Billions

| <u>Receipts</u> | <u>Amount</u> |
|----------------------------|-------------------|
| Gross receipts | \$1,243.1 |
| Offsetting collections | (134.0) |
| Offsetting receipts | |
| Proprietary receipts | (34.7) |
| Intragovernmental receipts | |
| Federal intrafund | (19.2) |
| Trust intrafund | (2.9) |
| Interfund | <u>(143.4)</u> |
| Net receipts | \$ <u>908.9</u> |
| | |
| <u>Outlays</u> | |
| Gross outlays | \$1,398.2 |
| Offsetting collections | (134.0) |
| Offsetting receipts | |
| Proprietary receipts | (34.7) |
| Intragovernmental receipts | |
| Federal intrafund | (19.2) |
| Trust intrafund | (2.9) |
| Interfund | <u>(143.4)</u> |
| Net outlays | \$ <u>1,064.0</u> |

RECONCILIATION OF GROSS RECEIPTS WITH NET RECEIPTS

Another way to show the differences between gross receipt numbers and OMB net numbers is by showing the Retirement Funds Budget and Operating Budget receipts. Table V.2 does this by subtracting intragovernmental transfers (payments from one government account to another), proprietary receipts, and offsetting collections from total receipts for each budget.

Table V.2: Reconciliation of Gross Receipts With Net Receipts
for Fiscal Year 1988

Dollars in Billions

| <u>Receipts</u> | <u>Retirement</u> | <u>Operating</u> | <u>Total</u> |
|--------------------------------|-------------------|------------------|-----------------|
| Gross receipts | \$452.2 | \$790.9 | \$1,243.1 |
| Intragovernmental transfers | (133.5) | (32.0) | (165.5) |
| Proprietary receipts | (8.8) | (25.9) | (34.7) |
| Offsetting collections | <u>(0.0)</u> | <u>(134.0)</u> | <u>(134.0)</u> |
| Net receipts | <u>\$309.9</u> | <u>\$599.0</u> | <u>\$ 908.9</u> |

RECONCILIATION OF GROSS OUTLAYS WITH NET OUTLAYS

To show the differences between gross numbers and OMB net numbers for outlays, table V.3 provides gross and net amounts for each of the three budgets (Retirement Funds, Debt and Interest, and Operating) comprising the S. 101 proposal. In addition, the table shows net and gross amounts for the Operating Budget allocated into three categories: entitlements, defense, and other government.

We derived the net amounts shown in table V.3 by deducting intragovernmental transfers (payments from one government account to another), proprietary receipts, and offsetting collections from gross amounts.

Table V.3: Reconciliation of Gross Outlays With Net Outlays for Fiscal Year 1988

Dollars in Billions

| <u>Budget</u> | <u>Gross outlays</u> | <u>Deductions</u> | | | <u>Net outlays</u> |
|-------------------|----------------------|-------------------------------------|-----------------------------|-------------------------------|--------------------|
| | | <u>Intra-governmental transfers</u> | <u>Proprietary receipts</u> | <u>Offsetting collections</u> | |
| Retirement Funds | \$ 364.4 | \$ (6.8) | \$ (8.8) | \$ (0.0) | \$ 348.8 |
| Debt and Interest | 215.8 | (61.0) | (3.1) | (0.0) | 151.7 |
| Operating | | | | | |
| Entitlements | 240.9 | (2.3) | (15.3) | (62.3) | 161.0 |
| Defense | 308.5 | (10.3) | (0.8) | (7.0) | 290.4 |
| Other government | <u>268.6</u> | <u>(85.1)</u> | <u>(6.7)</u> | <u>(64.7)</u> | <u>112.1</u> |
| Total | <u>\$1,398.2</u> | <u>\$(165.5)</u> | <u>\$(34.7)</u> | <u>\$(134.0)</u> | <u>\$1,064.0</u> |

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this report is to provide actual fiscal year 1988 budget numbers for the budgets proposed in S. 101 and to provide schedules of the major components of receipt and outlay categories.

Our analysis was conducted from March through May 1989. We used OMB's fiscal year 1990 budget tape to prepare computer listings of receipts (receipt accounts) and outlays (appropriation accounts) for fiscal year 1988.

Our totals differ from OMB totals in that our gross amounts include a distribution of all offsetting receipts and collections into the categories defined in S. 101. For the most part, OMB deducts offsetting receipts from agency and functional totals. However, OMB also shows large deductions from budget totals that are undistributed. These include agencies' payments into employee retirement trust funds, interest received by trust funds, and certain proprietary receipts such as rents and royalties from outer continental shelf lands.

To identify receipts and outlays for the Retirement Budget, we used those accounts specified in S. 101. We then identified the associated receipt and appropriation accounts.

To identify interest and debt data, we used OMB's Special Analyses, Budget of the United States Government, 1990. We used budget function 900 (interest) to identify specific accounts.

The operating portion in S. 101 includes all receipts and outlays not classified as retirement or interest. We allocated outlays into the three categories of entitlements, defense, and other government.

We used the "CBO Revised Baseline for FY 1989-1994, Entitlements and Other Mandatory Spending" to determine which accounts should be classified as entitlements. We determined which accounts should be classified as defense by using the defense budget function 050. The other government outlays category consists of all remaining outlays not classified as entitlements or defense.

We used the following publications to obtain more specific information about various accounts and more detailed information concerning the categorization of accounts in S. 101:

OMB Publications:

Budget of the United States Government, 1990.

Budget of the United States Government, 1990--Appendix.

Special Analyses, Budget of the United States Government,
1990.

CBO Publication:

The Economic and Budget Outlook: Fiscal Year 1990-1994.

Treasury Publication:

United States Government Annual 1988 Report: Appendix.

MAJOR CONTRIBUTORS TO THIS REPORT

ACCOUNTING AND FINANCIAL MANAGEMENT DIVISION, WASHINGTON, D.C.

James L. Kirkman, Director, Budget Issues, (202) 275-9573
Roy Jenney, Assistant Director, Budget Issues
Robert Sexton, Evaluator-in-Charge
Nell George, Accountant